

**CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER**

CHESTER, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1995
AC# 3-CHE-J4**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 16, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Chester County Hospital, Inc. d/b/a Chester County Nursing Center, for the contract periods beginning October 1, 1995 and for the twelve month cost report period ended September 30, 1994, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Chester County Hospital, Inc. d/b/a Chester County Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Chester County Hospital, Inc. d/b/a Chester County Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 16, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1995
AC# 3-CHE-J4

	10/01/95- <u>03/31/96</u>	04/01/96- <u>09/30/96</u>
Adjusted reimbursement rate	\$81.37	\$84.42
Interim reimbursement rate (1)	<u>80.50</u>	<u>83.55</u>
Increase in reimbursement rate	\$ <u>.87</u>	\$ <u>.87</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period October 1, 1995 Through March 31, 1996
 AC# 3-CHE-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$ 53.77	\$35.39	\$35.39
Dietary	\$ <u>-</u>	<u>13.93</u>	<u>8.53</u>	<u>8.53</u>
Subtotal	\$ <u>-</u>	67.70	43.92	43.92
Laundry/Housekeeping/Maint.	\$ -	13.16	7.17	7.17
Administration & Med. Rec.	<u>-</u>	<u>11.79</u>	<u>7.86</u>	<u>7.86</u>
Subtotal	\$ <u>-</u>	92.65	<u>\$58.95</u>	58.95
<u>Costs Not Subject to Standards:</u>				
Utilities		5.07		5.07
Special Services		-		-
Medical Supplies & Oxy.		3.29		3.29
Taxes and Insurance		.37		.37
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$101.52</u>		67.82
Inflation Factor (6.30%)				4.27
Cost of Capital				11.46
Cost of Capital Limitation				(2.18)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				-
Effect of \$1.50 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$81.37</u>

CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER
 Computation of Adjusted Reimbursement Rate
 For the Contract Period April 1, 1996 Through September 30, 1996
 AC# 3-CHE-J4

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ -	\$ 53.77	\$38.26	\$38.26
Dietary	\$ <u>-</u>	<u>13.93</u>	<u>8.53</u>	<u>8.53</u>
Subtotal	\$ <u>-</u>	67.70	46.79	46.79
Laundry/Housekeeping/Maint.	\$ -	13.16	7.17	7.17
Administration & Med. Rec.	<u>-</u>	<u>11.79</u>	<u>7.86</u>	<u>7.86</u>
Subtotal	\$ <u>-</u>	92.65	<u>\$61.82</u>	61.82
<u>Costs Not Subject to Standards:</u>				
Utilities		5.07		5.07
Special Services		-		-
Medical Supplies & Oxy.		3.29		3.29
Taxes and Insurance		.37		.37
Legal Fees		<u>.14</u>		<u>.14</u>
TOTAL		<u>\$101.52</u>		70.69
Inflation Factor (6.30%)				4.45
Cost of Capital				11.46
Cost of Capital Limitation				(2.18)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				-
Effect of \$1.50 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$84.42</u>

CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER
Summary of Costs and Total Patient Days
For the Cost Period Ended September 30, 1994
AC# 3-CHE-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,815,718	\$105,314 (1)	\$ -	\$1,921,032
Dietary	628,179	-	130,625 (1)	497,554
Laundry	59,054	-	197 (1)	58,857
Housekeeping	126,630	39,822 (1)	-	166,452
Maintenance	151,987	92,976 (1)	-	244,963
Administration & Medical Records	299,891	121,387 (1)	-	421,278
Utilities	125,576	55,520 (1)	-	181,096
Special Services	8,317	-	8,317 (1)	-
Medical Supplies & Oxygen	199,666	-	81,972 (1)	117,694
Taxes & Insurance	16,870	-	3,518 (1)	13,352
Legal Fees	-	4,968 (1)	-	4,968
Cost of Capital	265,117	89,918 (1)	-	409,458
		<u>54,423 (2)</u>		
Subtotal	3,697,005	564,328	224,629	4,036,704

CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER
 Summary of Costs and Total Patient Days
 For the Cost Period Ended September 30, 1994
 AC# 3-CHE-J4

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	49,193	-	46,516 (1)	2,677
Non-Allowable	<u>(43,661)</u>	<u>178,009</u> (1)	<u>54,423</u> (2)	<u>79,925</u>
Total Operating Expenses	<u>\$3,702,537</u>	<u>\$742,337</u>	<u>\$325,568</u>	<u>\$4,119,306</u>
Total Beds	<u>100</u>	Total Patient Days		<u>35,730</u>

CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER
Adjustment Report
Cost Report Period Ended September 30, 1994
AC# 3-CHE-J4

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	General Services	\$105,314	
	Housekeeping	39,822	
	Maintenance	92,976	
	Administration	121,387	
	Utilities	55,520	
	Legal	4,968	
	Cost of Capital	89,918	
	Nonallowable	178,009	
	Dietary		\$130,625
	Laundry		197
	Medical Supplies		81,972
	Taxes and Insurance		3,518
	Special Services		8,317
	Ancillary		46,516
	Other Equity		416,769
	To adjust costs to amounts per Blue Cross/Blue Shield settled report HIM-15-1, Section 2300		
2	Cost of Capital	54,423	
	Nonallowable		54,423
	To adjust capital return to allowable State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$742,337	\$742,337

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1994
 AC# 3-CHE-J4

		<u>OLD BEDS</u>	<u>NEW BEDS</u>
Original Asset Cost (Per Bed)		\$ 15,618	\$ 15,618
Inflation Adjustment		<u>1.9778</u>	<u>1.9778</u>
Deemed Asset Value (Per Bed)		30,889	30,889
Number of Beds		<u>62</u>	<u>38</u>
Deemed Asset Value		1,915,118	1,173,782
Improvements Since 1981		360,657	17,604
Accumulated Depreciation at 9/30/94		<u>(798,756)</u>	<u>(527,726)</u>
Deemed Depreciated Value		1,477,019	663,660
Market Rate of Return		<u>0.072</u>	<u>0.072</u>
Total Annual Return		106,345	47,784
Return Applicable to Non-Reimbursable Cost Centers		-	-
Allocation of Interest to Non-Reimbursable Cost Centers		<u>-</u>	<u>-</u>
Allowable Annual Return		106,345	47,784
Depreciation Expense		219,747	78,534
Amortization Expense		-	-
Capital Related Income Offsets		(26,630)	(16,322)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>TOTAL</u>	<u>-</u>	<u>-</u>
Allowable Cost of Capital Expense	409,458	299,462	109,996
Total Patient Days (Minimum 97% Occupancy)	<u>35,730</u>	<u>22,153</u>	<u>13,577</u>
Cost of Capital Per Diem	\$ <u>11.46</u>	\$ <u>13.52</u>	\$ <u>8.10</u>

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 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1994
 AC# 3-CHE-J4

	<u>OLD BEDS</u>	<u>NEW BEDS</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 6.02	\$ -
Adjustment for Maximum Increase	<u>3.99</u>	<u>-</u>
Maximum Cost of Capital Per Diem	<u>\$10.01</u>	<u>\$8.10</u>
Reimbursable Cost of Capital Per Diem	(1) \$ 9.28	
Cost of Capital Per Diem	<u>11.46</u>	
Cost of Capital Per Diem Limitation	<u>\$(2.18)</u>	
(1) ((22,153\$10.01) + 109,996)/35,730)		